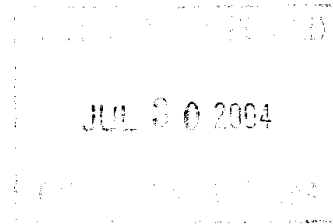




100 Decker Drive, Irving, Texas 75062-8136
www.consolidated.com



July 28, 2004

Secretary Marlene Dortch
Office of the Secretary
Federal Communications Commission
Portals II
445 12th Street, S.W.
Suite TW-A325
Washington, D.C. 20554

In the Matter of

Implementation of the Pay Telephone)
Reclassification and Compensation)
Provisions of the)
Telecommunications Act of 1996)

CC Docket No. 96-128

Dear Secretary Dortch:

Pursuant to the Commission's Report and Order in this docket, released October 3, 2003 and consistent with the company's petition for waiver filed June 7, 2004 in this docket, Consolidated Communications Telecom Services of Fort Bend Company and Consolidated Communications Telecom Services of Texas Company hereby submits the following:

- 1) SBR System Audit Report
- 2) CFO Attestation Report of Management Compliance
- 3) Responsible Party Contact information letter

Please contact me at 214.774.3094 if you have questions or require additional information.

Sincerely,

A handwritten signature in black ink, appearing to read 'Bill Terry'.

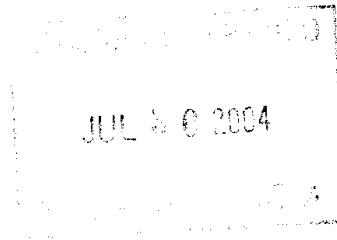
Bill Terry
Sr. Manager - Regulatory

attachments

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July 28, 2004

Secretary Marlene Dortch
Office of the Secretary
Federal Communications Commission
Portals II
445 12th Street, S.W.
Suite TW-A325
Washington, D.C. 20554

Re: **Dial-Around Compensation System Audit**
CC Docket 96-128

Dear Secretary Dortch;

Consolidated Communications Telecom Services of Fort Bend Company and Consolidated Communications Telecom Services of Texas Company ("CCI") submits this statement as required by Section 64.1320(e) of the Commission's Rules. CCI contracts with Billing Concepts to handle their payphone compensation and for resolving disputes with payphone service providers over compensation. In the event of unresolved disputes or questions over compensation inquiries may be sent to the CCI company contact:

D. Larry Martin
Manager, Network Cost
P.O. Box 143249, Irving, TX 75014-3249
214-774-3097, netcost@consolidated.com

A copy of this statement is being sent to facilities based long distance carriers and payphone service providers identified in Section 64.1312(b) of the Commission's rules.

Sincerely,

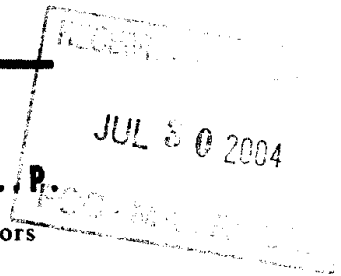
A handwritten signature in black ink, appearing to read 'Bill Terry', written over a horizontal line.

Bill Terry
Sr. Manager - Regulatory



PADGETT, STRATEMANN & CO., L.L.P.

Certified Public Accountants and Business Advisors



Independent Accountants' Report

To the Board of Directors
Consolidated Communications Telecom Services of Fort Bend Company
and Consolidated Communications Telecom Services of Texas Company
San Antonio, Texas

We have examined Consolidated Communications Telecom Services of Fort Bend Company's and Consolidated Communications Telecom Services of Texas Company's (collectively, "Consolidated Communications") compliance with Section 64.131(a)(1) of the Federal Communications Commissions Report and Order in CC Docket No. 96-128, adopted September 30, 2003 (the "Order") as detailed in Attachment A, including their policies and procedures required to be in place under the Order effective July 1, 2004, except for an audit completion requirement which was completed subsequent to July 1, 2004 as requested in Petition for Waiver dated June 7, 2004. Management is responsible for Consolidated Communications' compliance with those requirements. Our responsibility is to express an opinion on Consolidated Communications' compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Consolidated Communications' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Consolidated Communications' compliance with specified requirements.

In our opinion, Consolidated Communications complied, in all material respects, with the aforementioned requirements for the period effective July 1, 2004, except for an audit completion requirement which was completed subsequent to July 1, 2004 as requested in Petition for Waiver dated June 7, 2004.

Padgett, Stratemann & Co.

Certified Public Accountants
June 27, 2004

Attachment

100 N E Loop 410, Suite 1100, San Antonio, Texas 78216 • www.padgett-cpa.com
Phone (210) 828-6281 • (800) 879-4966 • Fax (210) 826-8606

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**Report of Management on Compliance with Applicable Requirements
of Section 64.1310(a)(1) of the FCC's Rules and Regulations**

Management of Consolidated Communications Telecom Services of Texas Company and Consolidated Communications Telecom Services of Fort Bend Company ("CCI" or the "Company") is responsible for establishing and maintaining adequate systems and processes for its Pay Telephone Call Tracking System and for ensuring the Company's compliance with the applicable requirements of Section 64.1310(a)(1) of the FCC Report and Order in CC Docket No. 96-128, released on October 3, 2003, regarding *The Pay Telephone Reclassification and Compensation Provisions of the Telecommunications Act of 1996*.

Management has performed an evaluation of the Company's compliance with the applicable requirements of CC Docket No. 96-128 using the criteria in 64.1320(c) as the framework for the evaluation. Based on this evaluation, we assert that as of July 29, 2004, the Company complies with all applicable requirements of CC Docket No. 96-128.

We have prepared the required assertion statements relating to CCI's Payphone Call Tracking Systems.

CCI is acknowledged as the "Completing Carrier" in the following call scenarios:

- Calling Card
- Long Distance Service
- Prepaid Calling Card

All assertions for CCI are from the point CCI has visibility to the call tracking data.

CCI uses the Billing Concepts, Inc. (Billing Concepts) for payphone compensation settlement. CCI has obtained and relied upon third-party assurance from Billing Concepts to verify that controls and procedures relating to these assertions have been established and maintained by Billing Concepts. An independent assessment of the effectiveness of such controls has been performed by an independent accounting firm.

CCI represents the following assertions where it is identified as the Completing Carrier:

FCC Compliance Factor (1) – CCI's ("Completing Carrier") procedures accurately track calls to completion.

- CCI's definition of the "per-call rate" of \$.24 is in compliance with FCC rules.
- CCI's definition of a "Compensable Call" (payphone-originated call that completes over CCI's network in which CCI identifies itself as the Completing Carrier) is in compliance with the FCC rules.
- CCI's definition of a "Completed Call" (call that is answered by the called party) is in compliance with the FCC rules.
- CCI's systems are able to generate the following reports on a quarterly basis:

**Report of Management on Compliance with Applicable Requirements
of Section 64.1310(a)(1) of the FCC's Rules and Regulations**

- a) A list of the toll free and access numbers dialed and completed from each Payphone Service Provider's (PSP's) payphones along with the ANI for each payphone.
 - b) The volume of calls for each toll free and access number that was completed by CCI.
 - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling the CCI's payphone compensation.
 - d) The CIC code or Trunk routing group of all facilities based LD carriers that routed calls to CCI categorized according to toll-free and access code numbers.
- CCI's data storage requirement is in compliance with and exceeds the FCC rule requiring 18 months storage.
 - CCI's procedures for identifying PSPs are complete and accurate.
 - CCI's procedures for validating payphone ANIs are complete and accurate.

FCC Compliance Factor (2) – CCI (“Completing Carrier”) has a person or persons responsible for tracking, compensating, and resolving disputes concerning payphone-completed calls.

- CCI has designated personnel responsible for drafting the business requirements associated with tracking, compensating, and resolving disputes concerning payphone-compensated calls.
- CCI has designated personnel responsible for the development and maintenance of systems used in the collection and reporting of payphone call data.
- CCI has designated personnel responsible for the implementation and maintenance of procedures that are utilized in creating final compensation data sets.
- CCI has designated personnel who are responsible for developing compensation-tracking reports.
- CCI has designated personnel who are responsible for payphone compensation dispute resolution.

FCC Compliance Factor (3) - CCI (“Completing Carrier”) has effective data monitoring procedures.

- CCI has the ability to prepare quarterly reports on payphone call counts, PSP identities and numbers dialed.

**Report of Management on Compliance with Applicable Requirements
of Section 64.1310(a)(1) of the FCC's Rules and Regulations**

- CCI performs data monitoring procedures on call record volumes entering the payphone compensation systems.
- CCI has the ability to produce trend reports of excluded calls.
- CCI performs fraud-monitoring procedures to identify potentially illegitimate payphone calls.
- CCI has the ability to investigate and resolve PSP disputes.

FCC Compliance Factor (4) - CCI ("Completing Carrier") adheres to established protocols to ensure that any software, personnel or any other network changes do not adversely affect its payphone call tracking ability.

- CCI has security controls in place to control access to and monitor call-tracking data.
- CCI has security controls in place to control access to and monitor the payment disbursement system.
- CCI has a department that is responsible for making software changes that affect payphone compensation.
- CCI has established protocols to implement and test software changes affecting payphone compensation.
- CCI has application controls in place to ensure that network changes, external to payphone compensation, do not negatively impact payphone compensation.

FCC Compliance Factor (5) – CCI ("Completing Carrier") creates a compensable payphone call file by matching call detail records against payphone identifiers.

- CCI utilizes switch data and database look-ups to populate the date, originating ANI, dialed number, and aggregate data into a Compensable Call File.
- CCI uses payphone specific identifiers (info digits or ANI lists) to identify a compensable payphone call record.
- CCI applies validation and control procedures to compile the Compensable Call File.

FCC Compliance Factor (6) – CCI ("Completing Carrier") has procedures to incorporate call data into required reports and making payment to PSPs.

- CCI's systems are able to generate the following reports on a quarterly basis:

**Report of Management on Compliance with Applicable Requirements
of Section 64.1310(a)(1) of the FCC's Rules and Regulations**

- a) A list of the toll free and access numbers dialed and completed from each PSP's payphones along with the ANI for each payphone.
 - b) The volume of calls for each toll free and access number that was completed by CCI.
 - c) The name(s), address(es), and phone number(s) of the person(s) responsible for handling the CCI's payphone compensation.
 - d) The CIC code or Trunk routing group of all facilities based LD carriers that routed calls to CCI categorized according to toll-free and access code numbers.
- CCI possess a valid list of payphone owners identified by ANI.

FCC Compliance Factor (7) - CCI ("Completing Carrier") has implemented procedures and controls needed to resolve payphone compensation disputes.

- CCI maintains required call tracking data for at least 18 months.
- CCI has the ability to investigate and resolve PSP disputes.
- CCI has designated personnel who are responsible for payphone compensation dispute resolution.

FCC Compliance Factor (8) – Critical controls and procedures have been tested by CCI ("Completing Carrier") to verify that errors are insubstantial.

- CCI has procedures to identify payphone-originated calls.
- CCI has procedures to capture dial-around calls.
- CCI has procedures to exclude incomplete calls from the Compensable Call File.
- CCI has procedures to accurately populate call record data in the Compensable Call File.
- CCI has procedures to exclude commissioned calls from the Compensable Call File.

FCC Compliance Factor (9) – CCI ("Completing Carrier") has in place adequate and effective business rules for implementing and paying payphone compensation, including rules used to: (i) identify calls originated from payphones; (ii) identify compensable payphone calls; (iii) identify incomplete or otherwise non-compensable calls; and (iv) determine the identities of the payphone service providers to which Completing carrier owes compensation.


**Report of Management on Compliance with Applicable Requirements
of Section 64.1310(a)(1) of the FCC's Rules and Regulations**

- CCI has business rules that identify calls originated from payphones.
- CCI has business rules that identify compensable payphone calls.
- CCI has business rules that exclude incomplete calls.
- CCI has business rules to determine the identities of the payphone service providers to which CCI owes compensation.

CCI's – Required Disclosures per 64.1320(d)

- CCI's criteria for identifying calls originating from payphones include call record info-digit identification of 27 or 70. In addition, originating ANI is also used to identify payphone-originated calls.
- CCI's criteria for identifying compensable payphone calls include all calls with info-digits 27 or 70 (or with a payphone-identified originating ANI) and answer type other than 0. Calls originating from payphones where CCI has a separate compensation agreement in place are excluded from the Compensable Call File.
- CCI's criteria for identifying incomplete or otherwise noncompensable calls include: 1) calls that do not have info-digits 27 or 70 (or that are not from a payphone-identified originating ANI), 2) calls with an answer type of 0 or 3) calls that originate from payphones where CCI has a separate compensation agreement in place.
- CCI's criteria used to determine the identities of the PSPs to which CCI owes compensation is established by Billing Concepts, CCI's clearinghouse for settlements.
- The type of information that CCI needs from the PSPs in order to compensate the PSPs is determined by Billing Concepts.

Dated: July 26, 2004



Steve Childers
Consolidated Communications, Inc.